

—EDITED TRANSCRIPT—



THE BRADLEY CENTER  
FOR PHILANTHROPY AND CIVIC RENEWAL



The CENTER for  
GLOBAL  
PROSPERITY

# Philanthrocapitalism: Savior or Emperor?

Thursday, April 9, 2009 ▪ 12:00 to 2:00 p.m.

Hudson Institute ▪ Betsy and Walter Stern Conference Center ▪ 1015 15th Street, NW ▪ Suite 600

In *Philanthrocapitalism: How the Rich Can Save the World*, **MATTHEW BISHOP** suggests that the world is now witnessing a new breed of the super-wealthy who are turning their energies, business know-how, and passion to philanthropic ends, with every prospect that they will succeed where generations of more traditional and staid philanthropy haven't.

In *Just Another Emperor? The Myths and Realities of Philanthrocapitalism*, **MICHAEL EDWARDS** insists to the contrary that relying on the super-wealthy to solve global problems is to neglect what should be one of the fundamental purposes of philanthropy and civil society, namely, to provide a counterbalance to the influence of wealth on behalf of social justice.

On April 9, these two authors came face to face to discuss these and other questions, along with GlobalGiving CEO **DENNIS WHITTLE**, one of the leading practitioners of this approach (and former lead economist and head of the strategy and innovation groups at the World Bank). The discussion, co-hosted by Hudson Institute's Bradley Center for Philanthropy and Civic Renewal and Hudson Institute's Center for Global Prosperity, was moderated by the Center for Global Prosperity's **CAROL ADELMAN** and the Bradley Center's **WILLIAM SCHAMBRA**.

## PROGRAM AND PANEL

11:45 a.m. Registration, lunch buffet  
12:00 p.m. Welcome by Hudson Institute's **WILLIAM SCHAMBRA** and **CAROL ADELMAN**  
12:10 Panel discussion  
**MATTHEW BISHOP**, *The Economist*  
**MICHAEL EDWARDS**, author of *Just Another Emperor*  
**DENNIS WHITTLE**, GlobalGiving  
1:10 Question-and-answer session  
2:00 Adjournment

## FURTHER INFORMATION

This transcript was prepared from an audio recording and edited by Krista Shaffer. To request further information on this event or the Bradley Center, please visit the center's web site at <http://pcr.hudson.org>, contact Hudson Institute at (202) 974-2424, or send an e-mail to Krista Shaffer at [Krista@hudson.org](mailto:Krista@hudson.org). For questions on the Center for Global Prosperity, please contact Yulya Spantchak at [yulya@hudson.org](mailto:yulya@hudson.org) or visit the center's web site at <http://www.global-prosperity.org>.

## HUDSON INSTITUTE

1015 15th Street, N.W.  
Suite 600  
Washington, DC 20005

202.974.2400  
202.974.2410 Fax  
<http://pcr.hudson.org>

# Panel Biographies

**Matthew Bishop**, author of *Philanthrocapitalism: How the Rich Can Save the World*, is chief business writer/US business editor of *The Economist*, based in New York. He is the author of several *Economist* special survey supplements, including most recently *The Business of Giving*, *Kings of Capitalism*, and *Capitalism and its Troubles*. He is also the author of *Essential Economics*, the official *Economist* layperson's guide to economics. Before joining *The Economist*, Bishop was on the faculty of London Business School, where he co-authored three books for the Oxford University Press on subjects ranging from privatization and regulation to corporate mergers. He has served as a member of the Sykes Commission on the investment system in the twenty-first century, and was also on the Advisors Group of the United Nations International Year of Microcredit 2005. He has been honored as a Young Global Leader by the World Economic Forum.

**Michael Edwards**, author of *Just Another Emperor? The Myths and Realities of Philanthrocapitalism*, is an independent writer and activist based in upstate New York who is affiliated with the New York-based think tank Demos, the Wagner School of Public Service at New York University, and the Brooks World Poverty Institute at Manchester University in the UK. From 1999 to 2008 he was the director of the Ford Foundation's Governance and Civil Society Program in New York, having previously worked for the World Bank, Oxfam-GB, Save the Children-UK and other NGOs in Washington DC, London, Colombia, Zambia, Malawi, and India. His writings, which include several books, have helped to shape a more critical appreciation of the global role of philanthropy and civil society, and to break down barriers between researchers and activists across the world. For more information on Edwards, please visit his web site at <http://www.futurepositive.org/>.

**Dennis Whittle** is chairman and CEO of GlobalGiving, which he co-founded in late 2000 after a career in the official aid sector. From 1997 to 2000, Whittle was part of a troika that led the World Bank's Corporate Strategy and Innovation units, where he co-led the team that created the Development Marketplace. From 1992-1997, he led a variety of initiatives in the Bank's Russia program, including housing reform and energy efficiency projects. From 1987-92, he was an economist in the World Bank's Jakarta office advising the Indonesian Ministries of Finance and National Development, and managing projects in the agriculture and forestry sectors. Before joining the World Bank in 1986, Whittle worked in the Philippines with the Asian Development Bank and with USAID.

# Proceedings

WILLIAM SCHAMBRA: My name is Bill Schambra, director of the Bradley Center for Philanthropy and Civic Renewal. Krista Shaffer and I join with Hudson's Center for Global Prosperity in welcoming you to today's panel, entitled "Philanthrocapitalism: Savior or Emperor?"

First, our usual preview of coming attractions. On May 28, we're pleased to sponsor a discussion of the new guidelines for philanthropy just published by the National Committee for Responsive Philanthropy (NCRP). As you may know, they've generated some controversy, and we will take up those topics on the 28<sup>th</sup>. I'm happy to see that Aaron Dorfman, who directs NCRP, is with us today, so if you have any complaints about those standards, I'm sure he, Niki (Jagpal), and others would be happy to take them up with you. Aaron will be on the panel, as well as Sherece West, who is president of the Winthrop Rockefeller Foundation; Adam Meyerson of the Philanthropy Roundtable; and Donn Weinberg, who is board chair at Baltimore's Weinberg Foundation. (For more information or to register online, click: [http://www.hudson.org/index.cfm?fuseaction=HUDSON\\_upcoming\\_events&id=665](http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=665).)

And now for today's panel. Some of you may have been here for our first cut at this topic at a similar panel just over a year ago, immediately following a speech delivered by the founder and president of Microsoft, Bill Gates, at the World Economic Forum's annual summit in Davos, Switzerland.<sup>1</sup> In that speech he called for what he described as a "creative capitalism," in which, as he put it, "governments, businesses, and nonprofits work together to stretch the reach of market forces so that more people can make a profit or gain recognition doing work that eases the world's inequities."

Since Mr. Gates is the elephant in the philanthropic boat, interest in this notion of capitalism serving philanthropic ends, or "philanthrocapitalism," as it came to be called, immediately spiked and has remained with us ever since, even in these hard economic times. After all, while the Gates elephant as well as the philanthropic boat may both have gotten a bit smaller over the past year, we're still left with an elephant in a boat.

I should note that when we sent out our invitation to today's event, we boasted that it would be first face-to-face discussion of philanthrocapitalism by two of our panelists, Matthew Bishop and Michael Edwards, who have helped immensely to make this such a prominent topic. This will, in fact, be the second time they've been on a panel together in the past few days, the first occasion being a March 31-April 1 conference sponsored by the Center for Effective Philanthropy (<http://www.effectivephilanthropy.org>) out on the west coast. They may have in mind a series of such joint appearances, a philanthropic version of the Lincoln-Douglas debates. (Laughter.) I'll leave it to them to sort out who gets to be Lincoln and who gets to be Douglas.

---

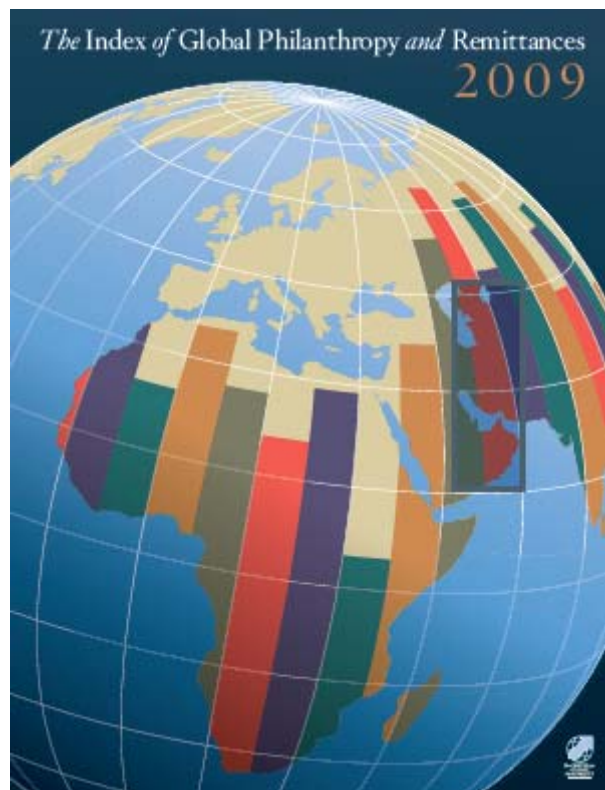
<sup>1</sup> A complete transcript of this discussion, "'Creative Capitalism': Can It Meet the Needs of the World's Poor?" held on January 30, 2008, can be found online at [http://www.hudson.org/index.cfm?fuseaction=HUDSON\\_upcoming\\_events&id=498](http://www.hudson.org/index.cfm?fuseaction=HUDSON_upcoming_events&id=498).

At any rate, as we return to this topic a year later, I'm pleased to introduce the moderator of today's panel, the director of Hudson's Center for Global Prosperity, Carol Adelman. You should find at your seats the URL information for her center ([www.global-prosperity.org](http://www.global-prosperity.org)); you'll want to save it and use it shortly, because Carol promises that by April 22 the newest edition of the center's *Index of Global Philanthropy and Remittances* will be available for free downloading. (**Download your PDF copy** – 88 pages, file size 5.25 MB - by clicking here: <http://www.hudson.org/files/documents/Index%20of%20Global%20Philanthropy%20and%20Remittances%202009.pdf>.)

So, Carol?

CAROL ADELMAN: Thank you so much, Bill (Schambra). Bill and I really enjoy collaborating on philanthropy issues, and are discovering more and more that the domestic and global arenas are increasingly similar. And we're very, very lucky to have thinkers, writers, and practitioners with us today on this topic, which is booming, as Bill mentioned.

I am not going to do long introductions, because you have panelists' bios on your chairs. But I will just briefly introduce Matthew Bishop, who is the US business editor for *The Economist*, and has been New York bureau chief for that same magazine. And of course, he is the author of the book we'll be discussing today, *Philanthrocapitalism: How the Rich Can Save the World*, as well as another book called *Essential Economics*, the official *Economist* layperson's guide to economics.



Next to him is Michael Edwards, another prolific writer and author of the book *Just Another Emperor? The Myths and Realities of Philanthrocapitalism*. He has been, most recently, director of the governance and civil society program at the Ford Foundation. Currently in New York with Demos, he is a visiting scholar at New York University's Wagner School of Public Service. (For more information on Edwards' work – and to download a copy of *Just Another Emperor* for free – visit his web site at <http://www.futurepositive.org>.)

And Dennis Whittle is the chairman and CEO of GlobalGiving (<http://www.globalgiving.com>), a very interesting online global giving nonprofit. He was formerly lead economist and head of strategy and innovation groups at the World Bank, and started, along with President Wolfensohn, one of the most interesting innovations at the World Bank called the Development Marketplace, where all kinds of people could bring their projects to the World Bank and seek funding – from small entrepreneurs to medium-sized entrepreneurs. It was very successful and helped him launch what he does now with GlobalGiving.

Matthew, how about we start with you?

MATTHEW BISHOP: Thank you, Carol; it's great to be here. Let me say a bit about the book before I address a couple of the debating points that have been going on lately.

The book was born, really, of this extraordinary moment in June 2006 at the New York Public Library, where a crowd had gathered to hear Warren Buffett speak, and Buffett decided to give away the bulk of his fortune, most of it through the Bill and Melinda Gates Foundation, and Bill Gates was called forward to receive this letter from Buffett pledging this amount of money, and the two of them stood on stage vigorously shaking hands while the great and the good gathered there cheered loudly. To my mind, it was a unique moment in human history; you had the two most successful businesspeople, the two wealthiest businesspeople on the planet standing there, pledging to give away most of their money, and to do so to help hundreds of millions of the poorest people in the world. This struck me as an event that was of such significance that it needed to be properly explored, analyzed, and set in context, in particular to understand where they came from; how they reached this point; whether this was something exceptional from other wealthy people, other business leaders; whether this was an exceptional thing in historical terms; and perhaps most important of all, whether their great pledge of many tens of billions of dollars really could achieve the kind of dramatic change that they were talking about for so many needy people.

And so with my co-author, Michael Green, who had spent many years working for the Department for International Development in the UK, where he had seen philanthropists increasingly figure in the global attempts to try and solve some of the entrenched policy problems, we went around talking to a lot of the new philanthropists, talking with people who understood the history of philanthropy, and talking to some of the established foundations. And we came up with a number of conclusions, which you'll find in the book – not the least of which is that there is just so much going on, and such a various selection of things happening, that almost every attempt to characterize exactly what a philanthrocapitalist is is doomed to fail.

I think it's one of the strengths of philanthrocapitalism that it's all about experimentation and trying different things. This is, in fact, just what capitalism does as well. Capitalism is the most experimental, innovative, and risk-taking way of going about solving the problems that society as ever had. But it has limitations – certainly, in terms of some of the problems where there is no money to be made in solving them.

So in the end, we concluded that there seems to be two things going on. One is that there seems to be a historical pattern. If you go all the way back to the early days of capitalism in Tudor England and Renaissance Europe, where whenever you have a period of tremendous innovation and capitalism and great wealth creation, you also see some – but not all – of the leading beneficiaries of that wealth creation start to become focused on solving society's other problems as well, and doing so in a way where they in some ways bring to bear on problems some of the methods and understandings they got from their business success.

One period that's very interesting is the eighteenth century, when a joint-stock company was founded for the first time. You started to see something which is now being called joint-stock

philanthropy emerge, where the equivalent of what we would now call social entrepreneurs were raising money from wealthy people by selling the equivalent of shares in their enterprise. And these people actually had voting rights.

One prominent case that we write about in the book is the case of the Captain Thomas Coram, a seaman who came to America, made his fortune, went back to London, saw lots of orphans in the streets, decided to create a school – a place where the orphans could be educated and looked after, and raised money through this joint-stock philanthropy. The queen of the day got involved in sponsoring this, as did celebrities such as Handel, who performed a fundraising version of *Messiah* to raise money for the school, and the artist William Blake, who designed the school uniforms – so there is nothing new in this field, in some ways; this celebrity philanthropy that we think is so new was actually going on in the eighteenth century! In the end, Captain Coram got fired before he was actually able to run the Foundling Hospital that he created because the shareholders thought he was a great fundraiser but an absolutely lousy manager – something that ought to be considered more today, when we look at social entrepreneurs who are very good at coming up with ideas but not necessarily so good at executing them.

So there seems to be this historical pattern: The last twenty-five years have been sort of a golden era of capitalism. I think they still stand up to that description despite the last year, where, I guess, the model has been sorely tested – which brings me to a point that I want to really focus on in the second part of my remarks. But the other point is that the last twenty-five years have been a golden era for capitalism because entrepreneurship has been encouraged; broadly speaking regulation has been permissive of quite a lot of change and dynamism; and there have been a lot of new ideas, whether it be in technology or in just management – how you manage organizations effectively. And there has been globalization, which has allowed a whole spread of ideas into places which otherwise would have been hostile to them. All of these are things that you see featured in the efforts of today's leading philanthrocapitalists.

Now, we launched the book in the aftermath of Lehman Brothers going bust. My view is that September 15, 2009, the day Lehman Brothers was allowed to go bust, will go down as the end of one era of capitalism and the start of a new paradigm. What that new paradigm will be is, I think, very much up for grabs at the moment. But it seems to be that this was not just a classic economic downturn, but a moment when our whole intellectual paradigm was shown to have been wanting. I was talking with George Soros earlier in the week; he came in for an editorial lunch. He said that even he had not predicted that the banks of the world would end up essentially being saved and owned by the governments of the world; that wasn't in even his gloomiest scenario.

So there has been an intellectual failure that has gone on, and the battle has begun to find the good ideas, the new paradigm to come out of that. In my view, philanthrocapitalism is one of those ideas that was starting to form in the old paradigm but needs to be far more central in the paradigm that will unfold. In some ways, it was version 1.0 of what philanthrocapitalism will need to be. But there were, clearly, business leaders, people who were making a lot of money, who were seeing that they needed to give back to society, to play an active role in solving these big problems that we face; seeing that there were all sorts of ways that were available to them to try and use their business expertise to solve problems.

None of them have got it right, by any stretch of the imagination. There were lots of great ideas, lots of works in progress. Now, I think, there will be a need and an opportunity for philanthrocapitalists to play an important role both in how we think about how business should operate and how wealthy people should operate, going forward – but also in how government should work in this age when I think the public is going to look more toward government to solve problems.

On the business side, what Gates proposed at Davos a year ago, the “creative capitalism” mentioned in the introduction, was I think a very ill-formed idea. He will readily admit that he’s having to think it through a lot further. But the idea is that capitalism, although it has no serious rival as a way of delivering efficient uses of material and resources and of solving many of the needs of the people of the world, did suffer a moral failure of some kind that came from an overly short-term focus and people making money in ways that did not actually serve the interests of society in the long run. This isn’t a simple morality tale; it’s quite a complex morality tale. But there does need to be a change in the way we govern companies, the way we incentivize people in the system, and whom we hold up as role models and leaders – a change that is based on the understanding that business exists to serve, ultimately, the interests of a better world, and that they as individuals also need to show commitment to that.

I think the great philanthrocapitalists whom we write about in the book are all doing that in their different ways, and I want them to be people we look to as role models in this new era. It’s very interesting to me that Warren Buffett was the one businessperson I’ve ever heard President Obama say anything nice about. It’s interesting that he has committed to give away his money in that way.

The other side is government. What struck me most when interviewing Gates, with his vast foundation, was how small he thinks his foundation is. If we look at this elephant in the boat that we’re talking about, it’s a very tiny elephant compared to these rather huge elephants that are also in the boat – that is, the government’s budget and, indeed, the budgets of big corporations. And the only way that Gates thinks he can achieve these great, ambitious goals that he set out in June 2006 is to mobilize other people – governments, mass movements, businesses, charities – to support his goals. And so the challenge that all of these philanthrocapitalists face is, how do we leverage our money into a much bigger impact? There are all sorts of examples in the book about how, working with social entrepreneurs and working in public-private partnerships, philanthropy can be the source of capital in the system which funds the entrepreneurial, dynamic ideas, which government has traditionally struggled to back.

We see New York’s mayor, Michael Bloomberg, in particular as one of the most positive role models – and I’ll end on him: He came into office as a great businessman. He used his own wealth – I would argue, as an act of philanthropy, in many ways – to get elected, because New York needed somebody who understands how to run something large and unwieldy in a more efficient way than it had been done previously, at that point. He found that once in office, he couldn’t get any backing for entrepreneurial ideas; the political process was simply obstructive to change. And so he has used philanthropists – including his own foundation – to fund pilot schemes, to do stuff that is very original new and difficult to sell politically, to demonstrate that

it can work, and then to say that the government's budget is very risk averse, so here's a proven solution that you can scale up. And I think that's a role model that, if we're going to have this era of bigger government also be an era of smarter government, we need to point to, and there needs to be a real seriousness about getting private money – getting entrepreneurial people – to back the risky ideas and prove what works and what doesn't work. And if we do that, there might be some hope that this new era will be a better era for government than previous eras, when we've seen government grow in scale.

So, summing up, this is a great opportunity. What we are seeing at the moment is a sea change in thinking both about business and about government; and that our most successful entrepreneurs and wealthy creators have the potential to bring their money and their brains and their connections to bear in solving these big problems. And if they do, and the rest of us give them space to do that and work with them, than I think we have a better chance of solving some of these big problems that the world faces than if we return to the old ways of business just focusing on short-term profit and governments just focusing on doing whatever they want to do without really involving private ingenuity and entrepreneurial spirit. So thank you!

CAROL ADELMAN: Thank you, Matthew (Bishop). Michael?

MICHAEL EDWARDS: First, I want to thank Hudson Institute for the invitation, and also Dennis (Whittle) for being the “meat in the sandwich,” as we were talking about earlier on. And thank you for continuing what has become a very lively conversation, actually, for everyone regardless of the position you take – and thank goodness for that! And thank goodness that we're finally having the kind of full-throated public debate that is essential to the reform of philanthropy in the future.

But what kind of reform is it going to be? That's the question on the table. Matthew (Bishop) enjoins us to look to the wealthy for our inspiration. But why should we trust the rich to save the world when they've already destroyed large parts of the economy that sustains us? Why would you sign a new social contract, which is what Matthew is calling for, that enshrines massive inequalities in wealth and power between you and the tiny philanthrocapitalist elite? Why would you think that business and the market will solve social problems in the future when they've created the same problems in the past and continue to do so in the present? And at a time when capitalism can't even fix itself, what leads you to believe that it will fix philanthropy? What's the logic, and where's the evidence? There isn't any. Most of this is hype. Very little is substance. And I think what we need to do is get beyond that and actually have an honest conversation with each other about what's really going on and what interests are driving this supposed revolution.

Before someone accuses me of being a socialist – this often happens, for example in the *Wall Street Journal* – or anti-capitalist or anti-business, let me make it clear that I'm none of those things. Well, I'd like to be a socialist, but I'm not. (Laughter.) All I'm saying is that I want business – capitalism, if you like – to focus on what it does best and do it as well as it possibly can with minimal costs of the kind that we're seeing around us, and not to meddle so much, and not to pretend so much that it has an expertise in areas where it has no demonstrated comparative advantage.

Matthew (Bishop) calls the philanthrocapitalists “superheroes” in the book. The book is a great read, by the way – even though I disagree with it profoundly. Buy it and read it; it’s actually a very entertaining book, well read. But the resources of these superheroes are tiny, as Matthew says, compared to the scale of the problems that we confront and the resources that others bring to the table. Their achievements are decidedly mixed, and no more impressive than those of traditional philanthropy or nonprofit organizations. Their supposed high levels of innovation are largely a mirage, covering a very narrow range of technical problems and solutions that revolve around reducing transaction costs, for example, in a somewhat mythical social capital market.

They extend access to socially and environmentally useful goods and services to people at lower levels of income – that’s a great objective. It’s a very important objective, and I hope it succeeds. But it’s not one that can create and ever has created the kinds of deep-rooted changes that have reduced poverty and injustice in recent history in any part of the planet – because those changes have been brought about through government intervention, redistributive politics, civil society activism, and social movement surrounding, yes, a productive and entrepreneurial business culture.

They also, strangely, tend to ignore the very area where they can make the most social impact, which is in changing their core business practices. It’s almost as though, having lost legitimacy in their core business, they’re trying to find it somewhere else, and have turned to philanthropy to gain it back – an understandable objective. Probably I’d do the same, if I were in their position, but the social impact of transforming their core business practices and not manipulating markets to trade private fortunes, and not undertaking monopoly practices to amass great wealth, will be hugely greater than the impact they’re likely to have through philanthropy.

And the one area where they do break new ground, which is importing new business thinking into philanthropy and the not-for-profit sector, is much more controversial than Matthew admits. It may even do some damage to causes I think we all believe in, although we have different routes to reaching them. Philanthrocapitalism probably will – and I hope it does – find a cure for HIV/AIDS, and for that we should all be profoundly grateful. But we know that there is no vaccine against greed, fear, racism, poverty, inequality, violence, corruption, lousy governance, personal alienation, and all of the other things that continue to plague us. There are very few areas of business expertise that translate well into the very different world of complex social and political problems where solutions have to be fought for, struggled for, and negotiated; they can’t be produced, packaged, and sold. And so far, at least, there aren’t many philanthrocapitalists – Soros may be an exception, if he thinks of himself under that label, who are prepared to invest in the real challenges of long-term institution building, the deepening of democracy, or the development of a radically different form of market economy which remains highly productive but in which inequality is systematically attacked.

Now I was interested to read a recent report from the Center for Global Development (<http://www.cgdev.org/>) here in Washington, for example, that shows how investments by leading philanthrocapitalists in getting HIV drug treatments – retrovirals – to more people in Africa in the short term is unfortunately undermining the capacity of national health systems in Africa to provide for the broad range of health needs of Africa’s population into the future. It’s

not an unusual finding, but it's an important one, and it gives a new twist to an old argument about the role philanthropy should play in society.

Let's be honest about that. Should we use philanthropy to make up for the shortfalls of a system that is basically sound, or should we use it to help to transform that system in more radical ways so that much more of the population is able to share in the fruits of success and become philanthropists themselves – a much more democratic model? Are larger crumbs from the rich man's – or rich woman's – table the best we can hope for? Is that the limit of our ambition? Is philanthrocapitalism really just trickle-down economics in a new and friendlier disguise?

And that's what worries me. The individualism of the marketplace is not the same as collective action and mutuality. These are radically different philosophies of action. Customers, clients, or consumers do not have the same rights and responsibilities as citizens. Having more choice between suppliers is not the same as economic and political empowerment. The natural tendency to get business solutions to scale quickly in order to lower unit costs is not the same as that slow and messy "arc of justice" that Martin Luther King described in some of his finer speeches. And there are many things, like competition and cooperation, or profit and self-sacrifice, that like oil and water do not mix at all.

Expecting price competition, the profit motive, short-term deliverables, and supply-chain control – the standard operating procedures of the business world – to bring about a world of compassion and solidarity is, to say the least, a little strange. An extreme form of social Darwinism is the opposite of a healthy civil society and a full and active democratic life. You wouldn't use a typewriter to plow a field, presumably, so why would use business and the market where they have no distinctive competence? It reminds me of an old joke – which I can tell, as a Brit, hopefully; it's terribly politically incorrect, but maybe I can get away with it. It's the one that puts Brits in charge of food instead of the French, the Germans in charge of entertainment instead of the Italians, and the Italians in charge of administration instead of the Germans – all with disastrous consequences. And it's the same with philanthrocapitalism. You're using the wrong mechanisms to try and cure problems in different areas.

I think philanthropy and the nonprofit sector, or what I call civil society, will actually achieve much more of an impact by strengthening and collaborating from their distinctive, different, and independent roles and values, not by subsuming them in some mushy middle ground under market pressure. All societies need independent counterweights to the otherwise overbearing influence of business and government, those much more powerful forces, in order to promote and preserve community, solidarity, sacrifice, caring, love, and action in the public interest – unless we're simply going to jettison those things as not essential to the kind of societies we're trying to build. And even, perhaps, if we stop fawning so much over the rich and the famous, and backed the energy and creativity of millions of ordinary people, we would create a foundation for lasting progress that will never come through top-down planning, however well-intentioned.

In saying these things, I'm not defending the old order, the old philanthropy, the traditional way of doing things – which goodness knows needs major reforms of its own. But I do want to punch at the hype that underlies philanthrocapitalists' claim to save or change the world. I don't even think – and this will disappoint Matthew, I'm sure – that philanthrocapitalism will be the most

important influence over the reform of philanthropy *in the next ten years*. I think philanthrocapitalism is the “last hurrah” of the market triumphalism that has dominated our thinking for the last ten years – the supposed golden age of capitalism to which Matthew referred. Unfortunately, it was only golden for a tiny number of the world’s population.

Instead, I think we will see a return to older questions of democratic or public accountability, of non-market values and their role in society, of the primacy of social equality, and of a rebirth of civil society as well as activist government. And those forces will reopen the debate about foundation effectiveness in a much more pluralistic way, I think, creating an atmosphere in which we will give as much credence to experience in social movements as we do to qualifications like MBAs; as much credence to mavericks as well as to management consultants from McKinsey; to empathy and intuition; to fun and joy in philanthropy – when have you last heard of “fun” and “joy” in philanthropy? – as well as to the dull utility of the calculator and the spreadsheet.

We’ll give as much credence to humility – the *h* word – and the strength to admit that we don’t have all the answers in the world, which is not a giant machine in which levers can be pulled to produce predetermined outcomes; as much credence to meeting grounds where we can talk as equals, and not just markets, which divide givers and receivers according to their purchasing power, and pit one charity against another; to the wisdom and experience of those we are supposed to be supporting to find and follow their own solutions, and not to any imposed “magic bullets” we might think we possess just because we’ve been successful in the world of business; to the deep lessons of economic history and social science as well as to the reports commissioned from that growing army of philanthropy consultants and intermediaries who dare not bite the hand that feeds them; and to foundations that have the courage and the sticking power not to swallow the latest philanthropic fashion that trots down the runway, but to interrogate it fully, critically, ethically, and empirically.

That will be a much more interesting and a much more significant conversation than philanthrocapitalism. Thank you.

CAROL ADELMAN: Thank you, Michael, for that very clear exposition; we appreciate that! We’ll turn now to Dennis Whittle.

DENNIS WHITTLE: Thank you, Carol. Before I start, I also want to tip my hat to Bill (Schambra) and Carol (Adelman) and everyone here at Hudson Institute. I told Bill earlier that I come from the other end of the political spectrum than I suspect most people at Hudson do, and yet some of the most interesting conferences I’ve been to have been here, and I’ve formed some of the most interesting and strange bedfellowships, including with Carol’s Center for Global Prosperity. They’ve done a great job of getting out the *Index (of Global Philanthropy)* that Carol and her team have been working on; it has gotten better and better every year. And despite my political leanings, I have a great deal of respect for and I’ve learned a lot from it. I think that’s probably the best thing you can say about someone with whom you disagree at a political level – that you’ve learned a lot from them and you love seeing them. That’s the way I feel about Hudson.

I don't know why I agreed to get between Michael (Edwards) and Matthew (Bishop) in this debate, so I'm not sure I will try to navigate those tricky waters. I just want to pick up on something that Michael said toward the end of his talk; he said something about the fun and joy in philanthropy. And I was really struck by that, because those aren't words that you hear very often. And in some ways that's story of what I'm doing here; I hadn't thought about it until he mentioned those words.

In 1996, I led a team that negotiated one of the biggest loans in World Bank history. We developed an \$11 billion program with the government of Russia to make systemic reform of their governance, of their economy, and of their environmental regulations. In 1996, we released the first tranche of \$1 billion. It was the hardest thing I had ever done by far. It was murder to reach agreement with the IMF and the Russian government at the same time. And I remember thinking at the time that it was a good thing that the whole discussion only involved about twenty significant decision-makers, or it would have been impossible to come to an agreement.

In any case, doing this loan made me pretty famous at the World Bank. I had spent the previous ten years there, since the mid-1980s, climbing up the bureaucratic ladder, clawing my way to the top among some of the world's top experts from many domains. I had gotten there; I had made it; I was near the top. And I was also exhausted, so I decided to take a little time off, go skiing, get away from the World Bank for a while, and have some time to myself.

One day when I came in from the slopes in Aspen, and the phone rang, and it was Jim Wolfensohn's office – the president of the World Bank. He wanted to see me when I got back, so they said I should "hurry up and come back." I told them that I was taking some vacation, here, and they said, "See you in a couple days."

(Laughter.)

So I cut short my ski vacation, went back to Washington, and went up to see Jim Wolfensohn; I thought he was going to pat me on the back about the Russia stuff. Instead, he said that he wanted me to be head of "New Products." He was creating a New Products function. And I remember sitting there asking, "What's 'New Products'?" And he said, "That's the whole problem. We haven't had any new products for the last fifty years here at the World Bank. That's why people are protesting in the streets against us." Those were the days of the WTO riots and protests against the World Bank. He was going to give me a budget of \$5 million a year, and with that, he told me, "I want you to make new products."

I had two reactions to that. One, I didn't know anything about making new products. I felt like Butterfly McQueen in *Gone with the Wind* (as "Prissy," who famously said, "I don't know nothin' 'bout birthin' babies!"); and two, \$5 million?! I had just gotten done doing a loan of billions and billions of dollars, and you're going to give me \$5 million a year to play around with new products?

Now the bad news and good news was that even though I was successful and had clawed my way to the top of the World Bank's hierarchy, I wasn't smart enough to come up with very many

good new products. For the first period of time, I couldn't come up with any good ideas, as hard as I thought. I failed at this.

So let's flash forward – briefly, given the time constraints here – to February 2000, when I walked into the atrium of the World Bank to witness what was my Hail Mary at about fourth and ninety (football terms for a really, really long shot) at the time in my New Products function. A few of us had decided that since we couldn't come up with any good new ideas, we were going to create something called the “Development Marketplace,” to which Carol (Adelman) alluded. We were going to invite anyone in the World who had a good idea to come into the atrium of the World Bank and pitch that idea. And it didn't matter who you were.

And so on this day in February 2000, there were 339 teams from around the world in the atrium of the World Bank getting ready to pitch their ideas for this \$5 million that I had in my pocket. And I went out into the atrium early in the morning, while people were setting up. The first group that I saw was two African women, sitting on the cold floor. I went up to them and asked who they were and what they were doing. It turned out that these women were from Uganda. They had never been outside of their home province, much less outside of their country or to Washington. But they had a great idea for mixing child nutrition and microcredit to address some problems that they were having in their community.

They had never gotten the time of day from anyone – the Ministry of Education, not even the mayor of their own town, who had tried to stop them as they drove out of town to get to the airport. He told them, “Ladies, I forbid you from going to Kampala; it's too far and you're too old.” These two women, both of them in their late 60s or early 70s, told me, “Do you know what we told the mayor? We told him, we're not going to just to Kampala; we're going to Washington (gesture) D (gesture) C (gesture)!” (Laughter.) They told him to get out of the way, and they went on in the car to the airport; a Canadian nonprofit was helping fly them to the Washington. And there they were in the atrium of the World Bank – it was quite a scene.

After they told me their story, they asked me, “Is it true that the World Bank president is going to come hear our idea?” And I said, “Yeah. He is going to be here, and he is going to hear your idea.” And when they asked me that question – I still get choked up when I think of them asking me that question, because they weren't quite sure even where they were or what they were doing there. But one of the most powerful men in the world was going to come hear their idea that day.

The 339 teams that were in the atrium that day ranged from the Ugandan women to Supreme Court justices from Latin America to scientists from NASA in Greenbelt, here. And on that day, it didn't matter who you were or where you came from; all that mattered was the quality of your ideas. And at the end of the day, Jim Wolfensohn got up there – I'll never forget this – and read forty-four award winners. It was kind of like the Academy Awards of development. He announced all the winners and they came up. The Supreme Court justices from Latin America had on their Supreme Court badges, and they marched up and got their check. And at the very end, he announced the names of the Ugandan women, who had won \$80,000 to start their microcredit scheme. The place was going wild. They came up on stage and began dancing with

Jim Wolfensohn – who is not the type of guy who dances that much. (Laughter.) They had a great time; it was a cathartic experience, and very emotional.

When it was over, I thought about how much of a Hail Mary pass it had been. It had been a very controversial event at the World Bank, as you can imagine, and it turned out to be really successful. And all I could think, at the end, was that I had just saved my bacon. I had gone from being at the top of the ladder to being ridiculed in the hallways, but this Development Marketplace came off, and it was successful, and I was happy. And I was going to resume my ski vacation. So I was sitting there, relaxing in a chair at the end of that day – I was exhausted – and a woman from South Africa came up to me. I'll never forget this, either, because she was significantly bigger than me, and she was dressed in her local dress, and she looked right in my face and said, "We didn't win." And I said, "Well, sorry, lady! It's a competition. It's a marketplace! Not everybody can win. We will have another one of these next year; come back next year." And she said, "It's okay. We're just waiting for the secondary market to start."

And I – typical World Bank arrogant jerk – asked her, "Secondary market? How do you even know what 'secondary market' means?" And she said, "Just because the World Bank didn't fund our idea, that doesn't mean that it's not a good idea. So when is the secondary market going to start?"

I told Michael earlier today that I got to the World Bank by accident; I was a risk-averse bureaucrat; I liked flying first class; I liked getting paid – I was a very risk-averse person, and I really just wanted to get my status back up at the World Bank by doing this event. But when this woman from South Africa asked, "When is the secondary market going to start?" implying that the World Bank wasn't the only game in town, it was the first time in my life – and I was in my forties – when I thought, "Crap. She's right. That's a very simple – idiotically simple – observation. And she's right." And I remember saying, "Lady, your going to have to give me a couple weeks."

But that's how GlobalGiving got started. After about six months, my co-founder and I decided that this idea of a secondary market that the South African woman had had was just driving us crazy, and we defied all convention by just quitting the World Bank and starting GlobalGiving. And the concept that we have is simple, really; it has just a few components. First, any community around the world ought to be able to express its needs. What does it need? Anyone in the world should be able to propose a solution to address that need. Anyone in the world should be able to fund the implementation of that solution. And finally, anybody in the world ought to be able to make a suggestion about that solution, or ought to be able to comment on how well the project is going.

So this is my answer to the sandwich that I've been caught in, between Matthew (Bishop) and Michael (Edwards), in this debate. We're far from achieving the mission that we set out to do, but we've drawn a few key principles from this, which I think can inform the wider debate about the reform of philanthropy and the reform of development.

The first principle has to do with access and transparency. These seem like buzz words, but when you create it in the right way – in the simple way that we did it in Development Marketplace and

we're doing it in GlobalGiving, you can create some fundamental changes in governance and in the process of philanthropy and development. These can be very radical changes from the status quo based on processes that are not that complex.

Second, harnessing market forces – and I don't mean the capitalistic market; I mean market forces around innovation. And this comes partly through access. One of my favorite projects on GlobalGiving is a project led by a Dutch guy who is working with communities in Africa. They've trained rats to sniff out tuberculosis and to sniff out land mines. Their accuracy in assessing TB samples rivals or exceeds that of the technologies available in the field, and their success in sniffing out landmines has been quite extraordinary. They're just one of many, many micro-innovations that happen when you allow access to marketplaces like this.

As with any thriving marketplace or society, you do need a mix of different types. You need big, small, public, and private. You need the civil sector. All of these perform different functions, except on some of the things that Matthew and Michael talked about. Some provide money. Some provide ideas. Some provide commentary or feedback to the system.

I think we've been lucky at GlobalGiving, even though we're still at an early stage, that we've had a great mix. This has been part of the secret of our success. The philanthrocapitalists who have supported us include Jeff Skoll and Pierre Omidyar; the Hewlett Foundation, which is an older philanthrocapitalist; the Sall Family Foundation, the founders of SAS software; and others at that level. But our supporters also include a number of small family foundations, people who have much smaller but still significant fortunes. And we're supported by 40,000 small donors. And I think it's that combination, the mix of the big and the small, the different types, that makes a huge difference in the functioning of the marketplace.

One of the keys is to avoid too much concentration of power. You want people to have big plans and big visions, but you don't want them to control the debate. I think it has been written about recently, and it's less and less a secret that the Gates Foundation has too much control in the health sector. Even friends of mine at the World Bank are afraid to speak out against the Gates Foundation because they're afraid they are going to cross them. This is never a healthy thing. You want to avoid concentration.

The second key is to stimulate learning. You need to have a system that surfaces what works and what doesn't, and you want to facilitate experimentation and adaptation around that. And one of the keys that we found is, you don't want to give people status for being right the first time. You want to give people status – and communities and projects – for adapting over time to feedback and learning in the system. New ideas. You need to provide that status.

And finally, it's very important to understand that there is no single right answer. I come from the land of the experts, where we're supposed to study everything and come up with the single right answer. What needs to be addressed is a function of what people say that they want, and what people say that they want changes over time, and you learn over time about what works and what doesn't.

Finally, on that, donors' energy and interests also matter. I take seriously Michael (Edwards)' caveats about some of the issues and problems there. But one thing I've learned in the last few years is that you've got to meet donors where their energy and interests are. If someone is interested in health, you've got to embrace it. If someone is interested in climate change, you've got to embrace it. It's better to have a multiplicity of people pulling broadly in the right direction according to their own interests than telling people what to do, what's most important, and what's the highest priority.

I'll just finish by talking about the role of technology. However you cut it, the revolution is beginning, here, enabled by technology. As with all revolutions, its roots are in the distant past; the American Revolution had its roots in the past in England and in Greece. The current revolution is no different. But changes in technology and society are just beginning to unleash the possibility of a coming revolution in philanthropy and development. And that revolution will affect our answers to five questions.

1. Who determines the needs that will be addressed?
2. Who proposes the solutions to address those needs?
3. Who selects and funds those solutions?
4. Who implements those solutions?
5. Who evaluates those solutions?

So, again, I think we're only at the beginning of this. It's a really exciting time to be in the philanthropy field. I think both Matthew (Bishop) and Michael (Edwards) have done a great service to making sure that the evolution, if not revolution, is headed broadly in the right direction.

CAROL ADELMAN: Thank you, Dennis, for your remarks and for that wonderful story, too. I know you've all been jotting down little comments to each other that I'm sure you'll make and we want to hear, but before we get to that, I want to use my prerogative as moderator to have us explore two major topics before we turn things over to the audience and hear what your own questions and comments and thoughts so far.

Before we get into what causes reduction in poverty – be it social movements, redistribution, or capitalism – I want to get into the question, what is philanthropy? This is an area that I care a lot about, and Matthew (Bishop) and I discussed this yesterday at a session at the World Bank. I want to put philanthrocapitalism in perspective, because I believe it is one slice of all philanthropy. Matthew is writing primarily about the wealthiest donors – Gates, Soros, Omidyar, and others – as well as the celebrities, who are also wealthy. That is just one slice. Most philanthropy – and that's what we measure with the Index – is small- and medium-size donors who are giving to Save the Children or CARE or Catholic Relief Services. That kind of giving comes out to about \$10.8 billion, and people are giving another \$8.6 billion through their churches. So we're talking about big, big numbers *not* from the wealthiest donors.

And then if you look at all of the flows that reduce poverty – all of the financial flows from the developed world to the developing world – it's not just official development aid and philanthropy; it's remittances and foreign direct investment. If you take those four flows, three of

those – philanthropy, remittances, and foreign direct investment – from all donors to the developing world come out to 83 percent of all financial flows. Government aid is but a small percentage. So of that, the wealthiest donors are not the dominant force of money that is getting into the developing world.

So, Michael (Edwards), while you say that the wealth and power of philanthrocapitalism is unhealthy for democracy – I was reading that in your book – the reality is that philanthrocapitalism is not the dominant funding source. Now, it may be that the wealthiest donors are thought leaders, and they are setting agendas. Dennis (Whittle), as you pointed out, people fear the Gates Foundation because he is driving the agenda; that’s interesting. But the bulk is these many small donors; Dennis, these are the people you deal with, as you mentioned – and you have this wonderful term for them, “ordinary Oprahs,” when you talk about the democratization of philanthropy, which has been enabled so much by online giving and just technology bringing us the images of the problems in the developing world and motivating people to give.

And so I guess my question is, are we setting up a straw man, in a way, when we say that philanthrocapitalism is bad, on the one hand, or that it is going to transform everything, on the other hand – when in fact, philanthrocapitalists are important but they’re certainly not the major financial flow, and we’ve really got all of these small- and medium-size donors out there? I just want to throw that out on the table, and then get into the poverty reduction thoughts.

Would each of you like to comment on that?

MATTHEW BISHOP: My focus is not really on philanthropy. I think lots of good giving goes on, motivated by all sorts of things – religious beliefs and so forth. It’s something that stands on its own terms.

My interest is really in this process of how do we, as a society, achieve much better progress towards solving some of the most pressing problems that we face. And my belief is that the top-down solution, socialism, failed to deliver in important ways, because government proved to be very monopolistic in its thinking, and to crush human ingenuity and the entrepreneurial spirit. But in its own way, the model of capitalism that we’ve had also has significant limitations – although it has brought hundreds of millions of people out of poverty over the last twenty-five years. What we’re trying to do now, as a society, is to get the right mix. We want to get the right mix between government action, private for-profit action, and nonprofit action.

That’s something that requires the view that we try lots of different things; in particular, we try and include as many of our most visionary and talented people in the mix of trying to solve problems. And I believe that a world in which Bill Gates, Pierre Omidyar, George Soros, Bono, and Michael Bloomberg are actively using their resources, connections, and insights to help us solve some of society’s big problems is a good deal better than a world in which we exclude those people, and we don’t like them because they’ve got money – which seems to be what Michael (Edwards) is saying.

Actually, over the last thirty years we've seen a renaissance in capitalism precisely because we've discovered the limitations of big government and of bureaucratic approaches to solving the problems of the world, and we started to bring the entrepreneur, the change-maker, much more to the fore. Now, clearly, in the nonprofit sector there are some visionary leaders. Some visionary leaders are not necessarily motivated by making money whether they be in the for-profit world or the nonprofit world; they're more motivated by solving problems. But the reality is that a disproportionate amount of the most talented people over the last twenty-five years have gravitated towards business and out of government and the social sector. We want to reengage those people in solving problems, I think. So I think that's one part of the answer. Michael (Edwards) seems very skeptical about the usefulness of those people in terms of solving problems, and I just disagree fundamentally. Obviously, humility is needed and so forth, and that's sometimes been lacking, but ultimately I like to see those people involved.

Dennis (Whittle), I find your comments puzzling. I think that in general, you are an advertisement for philanthrocapitalism, and I can't see anything in what you do that wouldn't be a case study in the book – and we refer to you in the book. But the idea that the World Bank being afraid to criticize the Gates Foundation says anything about the Gates Foundation is odd, to me. I think it says a lot about the World Bank –

(Laughter.)

MATTHEW BISHOP: – and the fact that the people who go to work there are fearful that if they upset anyone, they're going to get fired.

Gates, it seems to me, is a most intellectually curious and robust person; he's not afraid of people speaking their mind to him. He doesn't like people sucking up to him, in general. I certainly, in interviewing him, have asked him questions to which he responded, "That's the stupidest question I've ever been asked." Fortunately, I can't remember what it was!

(Laughter.)

MATTHEW BISHOP: But I think that is quite hard to hear, particularly if you're in a culture that doesn't encourage people to speak openly about what they think, which might be what we characterize the World Bank as being. And the World Health Organization fired that guy for calling Gates a cartel. But I think it's ludicrous to think – I mean, Gates cannot achieve any of his goals unless large numbers of other people with considerably more resources collaborate voluntarily with him. His money is not sufficient, in any sense. I'm much more persuaded that Microsoft had monopoly power than that the Gates Foundation does – and I don't even know if I believe that about Microsoft. The Gates Foundation is a small foundation giving away \$3.8 billion a year, only half of which is going outside America. So, Michael (Edwards), it's not really able to be this great force in the way that you describe it.

MICHAEL EDWARDS: Just to correct Matthew's misinterpretation, there is nothing personal. I don't hate Bill Gates. I don't hate rich people. I don't hate capitalism. As I tried to say at the beginning of my remarks, I am trying to be analytical and rigorous in looking at the way in which different approaches to philanthropy and social change actually operate in practice. That's

the bottom line of the argument, so it doesn't really help to make accusations about whether I like this person or don't like that person. It's a childish way of carrying on the debate, Matthew.

In relation to your point, Carol (Adelman), let me agree and disagree. I agree absolutely that "citizen philanthropy," as I would call it – decentralized, smaller-scale, deconcentrated, democratically accountable giving – is the wave of the future. I think you're right there, and I think that's why I said that there are political and intellectual forces on the horizon that are much more powerful than philanthrocapitalism, and which will shape this debate over the next ten years.

I disagree, though, with counting foreign direct investment and remittances as philanthropy.

CAROL ADELMAN: I'm not saying that. I'm just saying that these are financial flows that are influencing economic development – I want to be clear on that.

MICHAEL EDWARDS: Okay – sorry I misunderstood. I know that in the *Index*, you do count it as philanthropy.

CAROL ADELMAN: We don't now. We've never said that foreign direct investment is philanthropy, and we never really said remittances were. We just happen to discuss them. But you'll notice that to make that clear, we are now called the *Index of Global Philanthropy and Remittances*. But thank you for raising it, so that we could clarify.

MICHAEL EDWARDS: I support that – because I think you're right; we do need to analyze the comparative impact of different revenue streams for social change, including all of this stuff. But we know that the social impact of foreign direct investment and remittances is deeply ambiguous, and can actually be destructive as well as positive. So it's important, if we're talking about philanthropy, to have a fairly precise definition of directed or targeted resources which are explicitly directed at identifiable social problems.

CAROL ADELMAN: (Nods head.)

MICHAEL EDWARDS: But I absolutely agree that deconcentration and increasing democratic control over what, after all, is supposed to be funding in the public interest – the definition of "philanthropy" – is going to be one of the headline issues over the next five to ten years, and I think it's going to be quite painful, particularly for the larger foundations, to deal with. It's the one thing they fear most of all. I think part of the visceral reaction to NCRP's best practice guidelines, which I am an endorser of although I don't agree with everything they say, has nothing to do with the guidelines; it's simply an emotional reaction by people who have power and don't want to give it up.

DENNIS WHITTLE: To answer your question directly, Carol, about small donors versus philanthrocapitalists, et cetera, I'd say two things. One, the US economy operates through a combination of Silicon Valley – of Fortune 100 companies – and small- and medium-scale enterprises. If you map this over to donors, I think it's kind of the same thing. You have the venture-capitalist types, the big funders, and a lot of small donors. Small businesses in the United

States generate about 80 percent of net employment every year, and at least half of GDP. And so while you hear a lot about Silicon Valley ventures – Google, et cetera – what’s really powering services and the economy is small- and medium-scale enterprises, and therefore, donors.

We found, incidentally, that there is great wisdom in the crowds of these small donors. We’ve run some semi-controlled experiments pitting the experts against the crowds. And it’s amazing how well the relatively uninformed crowds do at these things – which I’d be happy to talk about more.

Finally, let me take up this issue of Gates and the feedback loop, because, Matthew (Bishop), I think you misunderstood what I was saying a little bit. It is often the case that organizations need things in order to succeed, but they have pathologies and blocks that keep them from getting what they need. I’ve never met Bill Gates; I don’t know him personally. But I assume he is a pretty intimidating guy. I’ve worked for a number of these guys in the past. That kind of leadership translates into a culture in the organization that is very risk averse.

This is not to criticize Gates. I basically like what Gates is doing. But we have to be honest about it. I meant to say that *even* the World Bank people are scared to attack him; World Bank people are not normally scared to attack people. It’s not just the World Bank. In the grand scheme of things, \$3.8 billion is not a lot. But to everybody working on health, pretty much *everybody* working on international health out there hopes to get a grant from the Gates Foundation, and you do not want to cross a lower-lever person when it might infuriate the boss because he is not able to do what Michael (Edwards) was doing with you, Matthew (Bishop), which is really have a debate.

So you do need open and honest feedback loops whether you’re a philanthrocapitalist or any big organization – the World Bank or the Gates Foundation. It’s absolutely critical. And having been in a place where we didn’t have those feedback loops, I feel very strongly about that.

CAROL ADELMAN: Good! I want to pose one more question, one that I really think is important. By the way, I certainly do not agree with Michael that foreign direct investment and private investment have not had a beneficial effect –

MICHAEL EDWARDS: I didn’t say that –

CAROL ADELMAN: Excuse me – not beneficial, but you had said, has had –

MICHAEL EDWARDS: Ambiguous.

CAROL ADELMAN: Yes, you said ambiguous, and that they’ve had some ill effects. I think overall – and we want to open this up to the audience, now – what bothered me when Bill Gates raised the phrase “creative capitalism” is that he’s really only saying the same thing that C. K. Prahalad wrote about – for businesses to try and go out and be creative and find markets at the bottom of the pyramid; *The Fortune at the Bottom of the Pyramid* is the title of his interesting book. A lot of companies are doing that, and that’s very exciting. But then Gates said – and you might agree with him on this, Michael – that capitalism has failed Africa. I don’t believe that.

I believe that Africa has failed capitalism. You have Paul Collier's book, *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*, and yes, there is a billion at the bottom who have not benefited, but we can't forget the four billion in the middle, in all of the emerging economies, who have benefited amazingly from capitalism – the Indias, the Chinas, the Brazils, the Russias. So the bottom billion has not, but I submit that this is more a problem of these governments – the corruption, the lack of rule of law, the lack of the important institutions that create growth and the capitalism that I know you believe in, Michael, because I read it in your book. You just have more criticisms of it than I do.

So, let's just talk about what is reducing poverty. Do the panelists agree that there are big problems with capitalism in creating economic growth, and that other factors – social transformation, as Michael has talked about – are more important?

MATTHEW BISHOP: Well, I think that capitalism does have a problem that it is having to engage with at the moment. The fact that \$50 trillion of equity valuation worldwide has been eliminated since September 15, 2008, is a problem, to say the least. It's a problem in terms of there being fewer philanthrocapitalists, or less money to spend, for a start. I think we do all need to be candid about that, and we have to try and learn what went wrong and fix the system. The danger is that you can still throw the baby out with the bath water by the response to what went wrong, but there clearly was a problem.

When it comes to development, one of the many ironies of this is that Africa was the continent that was probably just on the cusp of massive benefit from global capitalism; there was a lot of money about to go in, and a lot of governments were doing the right things, finally, to be good receptors for that money. And the first reaction of global investors, showing as usual their great long-term vision, was to pull the money out and retrench it back to America and London and so forth. In a way, the response of global investors to the crisis is indicative of one of things capitalism has to figure out, which is how to get investors to have a bit of long-term vision rather than just always doing the most short-term thing at every opportunity. Now the Chinese, I guess, are increasingly going to be the providers of capital in Africa to many of the worst regimes, because they are being more long-sighted in terms of their own interests than the leaders of capitalism have been. It will do a lot of damage.

There's one other point I want to make, though. The one home-grown African philanthropist whom we write about the book, a fellow called Mo Ibrahim, who made his billions by promoting the mobile phone across Africa, created as his first big act of philanthropy a prize – the biggest prize ever awarded by philanthropy – of about \$3.5 million plus a pension for life to be awarded each year to the retired African leader who did the best job in office. Why he did this was that he wanted to stimulate a debate within African civil society about what constitutes good government, because he had found as a businessman that he was determined not to be corrupt, and he managed to succeed without being corrupt, but it was the single biggest challenge he faced every day – how to do business in a fundamentally corrupt system. He wanted to change the game in Africa. And that, to me, spoke volumes both about how African people see their own situation, and how African business leaders – the best of those African business leaders – can

provide the leadership to civil society that will help Africa solve its own problems, which is ultimately what it has to do.

And I'm also seeing that people like Gates and many of the other philanthrocapitalists who are looking at Africa are increasingly focused on this job creation agenda, and how you help African business to be more effective in creating jobs. And that, again, seems to me to be precisely the kind of ideal mix, not a Western *aid* mentality but a Western *investment* mentality – philanthropy as investment rather than as just a handout.

So I think there is a lot of things in what you say, Carol, but I think that the Mo Ibrahim example is the one that's the most impressive to me.

MICHAEL EDWARDS: It's interesting, but unfortunately, Mo Ibrahim is a tax exile. He lives in Monaco because he refuses to pay any tax in the UK. What does that say to people of wealth in Africa about their public responsibilities? So, one can take successful examples of philanthrocapitalism, but one, again, has to be rigorous to interrogate what they really mean. It would have a much more powerful effect if he actually said, "I as a wealthy person will actually pay my share, and I expect you to pay your share, and that's the model that I am going to live by in Africa and for the rest of my life." Otherwise, giving prizes is only part of the equation; it's giving with one hand and taking away with the other.

In answer to your question, Carol (Adelman), we actually know what reduces poverty – or at least we do post-1945. If you analyze the experience of every country that has systematically reduced poverty after World War II – the East Asian tigers, Chile, Botswana, Mauritius, China, Vietnam – there is actually a common pattern. It is not capitalism, at least not in the way that we often think about – as free markets and letting loose entrepreneurial drive, because all of those experiences rested on very active government and continuous government intervention to direct the economy strategically. They rested on the gradual integration of the economy into the world economy, not full-throated competition in the short term, because that would have destroyed their gradual change in the structure of production. They rested on some sense of a social contract between government, business, and some sense of a civil society – but not particularly well developed. You scratch my back and I'll scratch yours; we'll both make sacrifices for the long term, and that will accumulate resources and savings for long-term investment. So it's clear that a market economy is crucial, and to that extent, you're absolutely right, Carol. But this was not the kind of capitalism that we've become used to over the last ten to twenty years, and we need to be absolutely clear about that. That does not reduce poverty. And we see that from the figures in the United States, where inequality systematically is increased, year by year, over the last twenty years to the point where it's now, I think, *the* most unequal society in the Western world.

Now, there are some interesting things happening in the world of philanthrocapitalism – the Ibrahim prize; another example that Matthew describes, the Elders, which Richard Branson and others are financing. These are indications that, as he said, there is a diversity here, and it's important, I think, to recognize that diversity and see whether change is afoot in that community that can help the kind of dialogue we're promoting.

But I do think that, as I said in my remarks, if philanthrocapitalists do not recognize that they have to change their core business practices, and if they only seek legitimacy through philanthropy, then there is not much to talk about, because it's playing around on the edges of the problem. So for me, I'm very happy to talk about philanthrocapitalism, but let's also talk about where they can really make an impact, which is not in philanthropy.

DENNIS WHITTLE: I think there's no question that market-based economies have been the biggest engine of poverty reduction since 1945. There's great debate about how governments go about intervening in economies; I think Michael (Edwards) is right that totally unfettered capitalism has not characterized all successful economies. All of them have found a way to expose their economic gauges to tremendous market forces over time, which is really what has driven them. But not all countries have been able to successfully implement capitalistic or market-based systems. As we've found out with democracy over the last few years, you have to have the right conditions for capitalism to function well. These involve a good regulatory framework and a good legal and judiciary system. There's also human capacity; you have to have a certain degree of education, a certain level of health, and a clean environment to promote productivity. And finally, you need some amount of social cohesion and some amount of equity in the society for good, market-based systems to work well.

So, sometimes we get carried away in the debate about what good philanthropy is; shouldn't we just be promoting jobs, small- and medium-scale industry, et cetera? Microfinance? And the answer is yes, but in order for those to take root, you have to have certain other things in place, some of which are the systemic change Michael (Edwards) talked about, and some of which are things that philanthropy is very good at: promoting education, health, the environment, and so on.

CAROL ADELMAN: Let's go to the audience, now. Please!

ROCHELLE MOORE, Nubian Enterprises: Mr. Bishop, you spoke of regimes in terms of relationships with capitalism and philanthropy in Africa. How much influence do you believe colonialism has had on these African cultures as they make the transition from being colonies to being republics? I won't call them democracies because not all nations have a democratic view. And how can you call a nation that is making a transition from being a colony a "regime" when they were being dominated by European forces? How can you say they are a regime?

MATTHEW BISHOP: I think there is a lot of complexity in that question. Clearly, the Gates people and Bono and some of the other people in that world have been accused of having the classic white-man's-burden, colonial instincts of their own. I think the trouble is that you end up with a sense that people shouldn't get involved, because inevitably, if you're from a rich country that used to oppress that part of the world, then to be involved might be seen as a colonial act, again, in a different form. I think that, unfortunately, if you allow that to keep you from doing stuff that is useful, it would be a mistake. I think it requires a sensitivity of handling, and, ideally, a model that is about supporting ideas and leaders within Africa to find their own solutions. I hope that's where it will go. But I think it's an issue around things like, what does the world do about Zimbabwe? The reason, I think, the British government has been reluctant to support

action and there has been a focus on trying to get the African Union to sort out the problem has been the wish not to repeat or raise up a colonial legacy again.

To take an example from philanthropy, you have the Elders, which Michael (Edwards) mentioned. It's a group selected by Nelson Mandela and funded by people such as Richard Branson, Jeff Skoll, and a number of the other philanthropists we write about. They've been intimately involved in brokering the peace talks between Mugabe and the MDC in Zimbabwe. But it has all been done through the former president of South Africa, Mbeki. Jimmy Carter was sort of involved behind the scenes. So all of the money that is coming to the Elders is coming from traditional Western capitalists, but there has been very much a partnership approach, which I think is exactly the kind of sensitive behavior that I would assume Michael feels normally doesn't come from philanthropists.

MARTIN MORSE WOOSTER, author of *Great Philanthropic Mistakes*: I reviewed *Philanthrocapitalism* for the *Weekly Standard*. Given what Andrew Carnegie believed in – the short version is, make as much money as you can, put enough aside to have a decent life and give your kids a decent life, spend the rest within your lifetime, and spend it fighting poverty – how does that differ, if at all, from what you want philanthropists to do?

MATTHEW BISHOP: Well, it doesn't really – I mean, in some ways it doesn't. I think Carnegie was branded an anti-capitalist in his day by many of the leading capitalists for his supposedly radical views. I think he is, in many ways, the patron saint of philanthropists, as we write in the book. But today we have a much more nuanced view of the relationship between business and society – this is what Gates is getting at with “creative capitalism.” Carnegie was operating in a world where there wasn't really a functioning state in the same way that we have it today in terms of its deep involvement in providing for the welfare of people, in protecting people's rights, and so forth. It was a much lighter vehicle in those days, and business was much freer to do things that were more immediately harmful in the interests of achieving greater productivity. Now you can't operate today in the way that Carnegie operated and be successful – nor should you. Now we have a different standard.

Gates, I think, is trying to get at the questions of what self-imposed limits businesses should adopt, and what expectations investors should have of businesses, beyond this very short-term focus on profit-maximization. My broad sense is that compared to Carnegie's day, when it comes to Michael (Edwards)' comment – Michael seems to feel that a lot of the people who made the money and have become philanthropists did so by some sort of exploitation – making problems worse, or something. In my view, certainly people like Gates, the Google guys, Bloomberg, Soros, and others have made their money legitimately in free, competitive markets by providing benefit. There is no exploitation – whereas Carnegie, I guess you could say, or certainly Rockefeller was doing a lot of stuff that is more easy to construe as monopolistic exploitation. Our worry is that in some of the developing world, philanthropists are more of the monopolistic, exploiter types than we're seeing certainly in America at the moment, but equally you are seeing philanthropists like the people who run Infosys and Wipro, who are, again, modern, non-exploitative capitalists. So I think we're making progress in the right direction.

JOE WEINSTEIN, Arabella Advisors: I have a question for Michael (Edwards): You seem to be saying that Bill Gates and Warren Buffett shouldn't be doing with their money what they're doing. So my question to you is, what should they do with their money?

MICHAEL EDWARDS: Use it to promote systems change in the way that wealth is produced and distributed, not make as much money as possible for themselves and then give some away.

JOE WEINSTEIN: They would still be exercising personal control over their wealth to make change, which is what they're doing through their philanthropy. So how could you not turn around, then, and make the argument that doing what you just said – promoting systems change – is any different from what they're doing now?

MICHAEL EDWARDS: Well, they're not doing it now, so that's why it's different. That's the answer to that part of the question. They're using their money to promote some very laudible activities – vaccine research, public education, quality improvement, and so on – but they're not changing the nature of the system which produces and distributes wealth. Someone said, apropos the previous question, that Andrew Carnegie's model was to make as much money as possible and then give it away – that's true. The obvious reaction is, why would you do that? It's such an inefficient way of addressing social problems. Why wouldn't you change the way the economic surplus is produced and distributed in the first place? Then everyone could be a philanthropist, and we would have much better accountability in the system. We would all have a choice about how we want to spend our money, and we wouldn't have to depend on the largesse of the rich.

JOE WEINSTEIN: If you start dictating to people what they're going to do with their money in philanthropy, don't you think they're going to not do it?

MICHAEL EDWARDS: I'm not dictating anything; I'm just raising some questions.

MATTHEW BISHOP: I'm just fascinated, Michael! You're advocating that rather than spend money on developing vaccines to help sick people in Africa, Buffett and Gates ought to devote many millions of dollars to changing the political process of America in order to crack down on business? Is that what you're advocating?

MICHAEL EDWARDS: No! Remember what I said about the Center for Global Development report, which was a systematic, rigorous investigation of the impact of Gates Foundation funding in Africa. What did it find? As I said, it found that there is a real trade-off between short-term advances in access to retrovirals, the major strategy of Gates, and the building up of long-term, effective, sustainable health institutions in Africa. That's the concrete example of the choice I'm giving you. And it is a choice – you have to recognize that. Is it an either/or choice? No, because people will differ about how they want to spend their money, and I'm not dictating one thing or another. But I am raising the possibility that there is a different path for philanthropic investment to the one that they've adopted. And the evidence backs me up.

MATTHEW BISHOP: The rationale that the Gates Foundation has for its strategy – which is very much focusing on particular diseases, trying to drive real change and work against a particular disease – is that this broad systemic approach has actually not delivered sufficient

progress and has really kept running into difficulties, and people had in fact given up thinking about driving particular diseases off the planet. By focusing on, say, malaria – saying, let’s get rid of malaria or dramatically reduce deaths from malaria – you energize the whole world around targets and achieving targets, and actually kick-start the process. And broadly, in doing so, you will generate improvements in the health care system, either directly or through highlighting the inadequacies of the existing health care system.

And so I assume that with the HIV retrovirals situation, what has happened is that they have made great progress in achieving the distribution of those drugs, and people are getting better, and it’s now going to move on to a debate about what they’re going to do about the rest of the health care system. That’s precisely what a disruptive entrepreneurial approach should do in this situation – force more money to come in, hopefully, to the system. Gates will be the first to say that he will be judged a failure if the result of his money being spent is that less money overall or no new money was coming into the area. But what’s happening is that more and more money is being devoted to addressing global health issues, not just from him, and not just the diseases he’s choosing but in a whole array of areas. What you have, then, is a massive dynamism in an area that was getting nowhere – which is why I think it’s such an exciting thing.

What do you think, Dennis (Whittle)?

DENNIS WHITTLE: One of the things, Joe (Weinstein), that your question raised with me is that in our experience at GlobalGiving, it’s really important for people early on to do something tangible – when they’re just getting started in philanthropy. You want to do something very tangible. And over time you start to begin to understand some of these systemic issues. And so it’s a little bit of a journey.

I’ve been in the development field for twenty-five years, and I’m only just now beginning to understand some of the things that Michael (Edwards) writes about. And that’s somebody who has been doing this full time for twenty-five years. So, I think you have to think of it as a journey, and to help people along on the journey of going from the tangible to the more systemic. Joe, it would be a great luxury to have somebody like Michael talk to some of the donors whom you advise, and try to nudge some of them along.

Now, I think it’s important not to hector them, because some people are never going to get there, and some people are only going to get there by learning as they go. And it’s really important to nurture that rather than to hammer people too hard.

I think the jury is out on Gates. I’m not sure I agree with you, Matthew (Bishop), but you may have more of the facts than I do.

CAROL ADELMAN: Having been in the global health field – my doctorate is in public health – and having worked in this field in development, I would just say what the great American jazz singer Les McCann said in my favorite song – that we’re trying to see what’s good “compared to what?”

As a part of the 1978 Declaration of Alma-Ata on global health, everybody declared health for all by 2000. Tens of billions – Jerry, you probably know the number; was it \$100 billion?

JEREMIAH NORRIS, Hudson Institute: \$99 billion.

CAROL ADELMAN: Okay, \$99 billion from the World Bank and governments went in specifically to set up primary health care infrastructure. That was their job. But by 2000, when the AIDS problem exploded, everybody complained that we had no primary health care infrastructure.

I would agree with Matthew (Bishop). The government aid was not well spent and the strategy was wrong for a whole variety of reasons. Then Gates and other donors came in and said, hey, we can't wait around for primary health care structure; let's just go after these diseases and keep people from dying. But it has jogged the system now that people are complaining. Laurie Garrett said, wait a minute! And the governments are complaining. The AIDS money is driving the ability to take care of other diseases. So I think Gates has done it.

JOHN SCOTT, Center for Public Service Communications: I think maybe this comment is to Dennis Whittle, but I'd appreciate anybody's response. We've been talking so far about, in Dennis' words, a journey. To the extent that we have a culture of philanthropy, or at least a culture of critical thinking about philanthropy, this tends to happen once one becomes an adult. We haven't encouraged a lifelong journey of critical thinking and accountability so that young people and even young children, when they make choices about how to contribute their time, energy, and money, tend to reach a political maturity and economic maturity before they are engaged in this critical thinking on philanthropy. What can we do, what is being done, and what are you doing in your initiatives to encourage the youth to begin to think critically about the issues of philanthropy and about asking some accountability for how their time is being used or how their funds are being used once they choose how to donate.

DENNIS WHITTLE: That's a great question. We have a large number of school groups and youth groups that use GlobalGiving. We have a lot of family offices that give gift certificates on GlobalGiving to their kids every holiday season so that their kids will start to get immersed in philanthropy. And what they tell us is that this is a small, bite-size thing that they can do where they can really start to get a feel for what actually happens on the ground in these initiatives and in these projects, which helps inform their political maturation, as you say.

And it has two effects. In some cases, you see the challenges. Maybe something you thought was really easy turns out to be much harder. You get outraged that  $x$  is happening when you try and work with a project. You see that it's not so easy to attack a problem. And in other cases, you see that you are attacking the problem with too small of a lens. You need to get much bigger. So, it can have both of those effects.

That happens not only in youth; that happens among philanthrocapitalists, a lot of whom are very young and made their money very rapidly, and they don't really know what hit them. All of us, in some sense, are going through this maturation – including me, and I've been doing it for a long time.

MATTHEW BISHOP: I think, actually, that the younger generation coming into the workforce now seems to have much more of a desire to work in companies that have missions they feel motivated by beyond just making money, which I think is one of the factors that is causing capitalism to change itself from within. One can exaggerate that effect, but it is a powerful driver. And in a way, the causation is going from younger people to older people through the labor market.

DENNIS WHITTLE: We see that dramatically at GlobalGiving.

DANNY CRUZ, Federal News Service: This is a question for the whole panel. In a different point of view to philanthrocapitalism, we're seeing parts of the federal sector – some strategists at the State Department, for instance – looking at getting onboard this little boat with the elephant in it, in essence adding their elephant bulk of bureaucracy to it, as a way to fund some outreach programs. For instance, the Civilian Response Corps got \$248 million last year, yet it's not adequate to meet its vision or mission, which is peacebuilding, civilian stabilization, et cetera. So what's your view of that mindset, which is starting to build in senior areas of the federal government, and what's your prognosis for that strategy?

CAROL ADELMAN: Is the mindset that they're trying to get private funds to help expand their budgets – is that it?

DANNY CRUZ: The specific form is a public-private partnership, tapping a nonprofit.

MATTHEW BISHOP: My view generally is that when politicians see money, they tend to gravitate towards that, and that's just a natural law of life. In this case, that could be a positive thing or it could be a negative thing. What excites me most about philanthrocapitalists when they start to interact with government is that they actually provide capital for entrepreneurial approaches for doing something different, challenging conventional wisdom, challenging the bureaucratic process. If partnerships have that view of private money and give it the freedom to behave in that way, I think it can be a very positive force. If it's simply an attempt to grab the money and shut out the entrepreneurial spirit, it's a recipe for disillusionment all around.

MICHAEL EDWARDS: Praise the Lord – I'm going to agree with Matthew!

(Laughter, applause.)

MICHAEL EDWARDS: I think that's right. But I would use “activist” rather than “entrepreneurial,” because that's my background.

But I do agree that using a limited amount of money to subsidize large-scale federal expenditure in programs which usually are not particularly innovative in situations where the level of influence from foundations or the nonprofit sector of the system to government is usually fairly limited because of various reasons is probably not, in eight times out of ten, going to be the most strategic form of investment or the area where philanthropy can add the most value. I think its

role is much more, as Matthew said, to provide seed funding to do things that others never will do for political or other reasons.

But for me, civil society is where the action is, not the market, so that's why I say "activism" rather than "entrepreneurialism." Some people would say that they're the same thing.

DANIEL LIPPMAN, George Washington University: My question is to Matthew and anyone who wants to respond. How effective is the US foreign aid going into developing countries, and what changes would you suggest for them going forward? Do you think the Millennium Challenge Corporation is a good idea, an effective way of doing things?

MATTHEW BISHOP: That's a huge question! Looking at it, there are some areas that have worked quite well and some areas that have worked quite poorly. A couple of thoughts, though: One, I think the Millennium Challenge Corporation has been a very good initiative. I also think the president's initiative on AIDS was a very positive initiative. Both of those actually came out of philanthrocapitalism, with Gates and Ed Scott and a lot of people funding lobbying efforts and working with Condoleezza Rice and so forth to create these entities and to get them funded in Congress. It's a really interesting case study.

As I was saying before, private money can help government to be much more effective in its activities in general – I think that's true probably more for development than any other area, particularly because of the belief in trying to create jobs and an understanding of the role that business can play in reducing poverty.

I think it would be quite a good idea for the US government to have a group of philanthrocapitalists that actually reviews its aid policies and asks whether it makes any sense, from a business perspective. But on the other hand, Carol (Adelman) mentioned that yesterday we were at the World Bank discussing how they might work with philanthrocapitalists. There is this thing called the Paris Declaration, which is an attempt governments have made to try and coordinate their aid policies. And the question was, should philanthrocapitalists be expected to be a part of that and coordinate so that they all work in the same way? I think that's precisely a bad idea, because it would suppress all of the innovative, different views that philanthrocapitalists bring.

But I think there should be an attempt to at least ensure that there is a lot of information, that all of the philanthropists are aware of what everyone else is doing, because there is a lot of operating in the dark that goes on. Governments can play a role, which they aren't doing enough of at the moment, in actually shedding light on all of the different things that are being tried, helping us to learn what works and what doesn't work, and helping philanthropists to learn what does and doesn't work. There isn't much transparency in philanthropy at the moment.

DENNIS WHITTLE: Before I left the World Bank, I did an informal survey of my colleagues; I asked them what percentage of their capacity or their brainpower was getting expressed through their work. The average was about 25 percent. And you'd hear a similar thing at USAID, I'm sure. You have institutions with *unbelievable* people and amazing resources, and these institutions are less than the sum of their parts. Organizations are supposed to be more than the

sum of their parts. The World Bank and USAID and others are a net negative value-add – and not because of the people, but because of the structure. Michael (Edwards) and I were talking beforehand – you’re a good example. You came to the World Bank in 1998, was it? You’re the leading expert in your field! Chew ‘em up, spit ‘em out.

(Laughter.)

DENNIS WHITTLE: I mean – is that fair?

MICHAEL EDWARDS: It’s pretty fair. Fair and balanced.

(Laughter.)

DENNIS WHITTLE: It’s a tragedy – absolutely a tragedy! When I was there, we tried for years and years to do partnerships with Microsoft and other companies, and we totally failed. We need to be blunt about that, and we need to talk about the reasons why. And it doesn’t mean that you pull back from these institutions; it means you focus on reform, to get some of the things that Michael was talking about – and hopefully, to get somebody like Michael back in there!

CAROL ADELMAN: We have time for one more question. Please!

JEFFREY STURCHIO, Corporate Council on Africa: This question relates in some ways to some of the things Matthew (Bishop) talked about, but I’d be curious to hear Michael (Edwards)’ impressions as well. Trade. Actually, Carol (Adelman), things that you look at with the *Index*. There’s a thesis that’s out there now – Dambisa Moyo’s argument. All of you are more familiar with it than I am, but I wonder if you could comment on it, thinking especially about the values of universalism. Michael, with some of the challenges you’re talking about, you’re very critical of the economic model, but a lot of what you’re talking about in terms of challenges seems to be very much entrenched in political challenges. And so I would posit trade as one of them; it’s thought of as economic, but when you get down to it, why do we have subsidies? Why do we have barriers? It’s political.

CAROL ADELMAN: For those of you who don’t know, Dambisa Moyo wrote the book *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa*. She spoke at Cato Institute last week, and she is going to be speaking at the Council on Foreign Relations, so she is truly bridging the political divide! One of her most compelling points is that if aid is such a high percentage of the budgets of some African countries, how can you ever expect those governments to be accountable to their people instead of being accountable to their donors? There’s this notion of overdependence. I don’t think she is writing about humanitarian aid; I think that was a little unclear. I couldn’t attend the Cato event. I think she is talking primarily about development aid. But it raises a wonderful question – thank you.

MATTHEW BISHOP: I think that Dambisa’s title exaggerates her thesis, really; I don’t think she is really saying, no aid. She is focusing on the potential Africa has for a self-sustaining business economy, and what needs to be done for Africa to grow itself out of its own problems. She advocates all sorts of different ways that the world should be investing in Africa. Obviously,

trade needs to be as liberalized as it can possibly be – in general, it does. But I think also – and this is where philanthrocapitalists can play an important role – you need to invest in the capacity of companies to actually thrive in an open economy. And possibly the caricature of free markets that has sometimes been used to describe what goes on in America or in Britain ignores the rule of law, the various sorts of educational investments, and the support that businesses get in all sorts of subtle ways to help them grow. We need to help Africa develop that as well – and that’s where, to my mind, philanthropy and aid can play the best long-term role – that is, in investing in and creating the ecosystem in which businesses can thrive. Really, the long-term, future success of Africa relies, as Dambisa argues, in developing businesses and jobs for its own people. That message is very right.

MICHAEL EDWARDS: Well, not really! As I said before, that’s not the lesson of poverty reduction since 1945 in every country that has reduced poverty. The message there is much more nuanced. It certainly does support the gradual expansion of the market economy. But unless you put in place around that all sorts of social and political supports and breaks and checks and directives and so on, you won’t get the kind of equitable growth over time that you need to reduce poverty.

I actually didn’t like Dambisa’s book. I thought it was horribly simplistic and it has been thoroughly shredded in the reviews I’ve seen by those who know far more than I do about which types of aid work in what situations. But there is one thing that I thought she was absolutely right on, and which is very, very important, and I whole-heartedly support her. It’s a point that Matthew also mentioned, and you mentioned, Carol (Adelman), about local control and accountability, and breaking that sense of external dependence – whether it’s political, social, financial, and so on – so that people benefit from their successes and learn from their mistakes in a real and concrete way. That does require, going back to an earlier question, a pretty fundamental reform of foreign aid, and not the sort of tinkering that we generally see from donors.

And trade – sure! It’s absolutely essential to the kinds of equitable, poverty-reducing growth that we want. But it has to be trade plus politics. Trade plus good politics is what will give you the results that you want, and not trade by itself.

CAROL ADELMAN: Thank you so much. Dennis, can you just spin us a final comment, maybe a little story?

DENNIS WHITTLE: I have nothing intelligent to say about that, so I’ll just encourage everyone to twitter about this conference. Make sure to use “#GlobalGiving” as your keyword, and make sure to mention Hudson Institute and the books of Michael Edwards and Matthew Bishop.

CAROL ADELMAN: Long live capitalism and marketing, right? (Laughter.) It’s a nice way to end – thank you! And thank you all very much.

(Applause.)